MEASURING WELFARE ENTITLEMENT GENEROSITY IN TRANSITIONAL WELFARE STATES: THE CASE OF POST-COMMUNIST COUNTRIES IN CENTRAL AND EASTERN EUROPE

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Abstract

Measuring welfare state generosity in developing welfare states is often challenged not only by lack of comparative quantitative data, but also by issues of conceptual stretching. This paper demonstrates and discusses the use of one of the key measures of welfare entitlement generosity developed in the comparative welfare state research in the context of post-communist countries of Central and Eastern Europe (CEE). With the new time series data provided by the Comparative Welfare Entitlements Dataset 2 (CWED2), comparative approaches including the CEE countries have become feasible. This paper first discusses quantitative measures of welfare entitlement generosity in the tradition of the social rights of citizenship-approach and how they can be applied for cross-country comparisons. It then demonstrates empirically how the emerging CEE welfare states' generosity compares to the Western European mature welfare states. Finally, the paper shows the potential and the pitfalls of quantitative measures of welfare state generosity by discussing, to what extent do indicators of social security scheme generosity measure the same in established and emerging welfare states, which functional equivalents may be relevant in the context of emerging welfare states and how far can we stretch our theoretical concepts.

Keywords: Welfare state, benefit generosity, decommodification, post-communist welfare states

1 Introduction

Welfare state generosity is a broad concept used widely in both public and scientific debates. Within comparative welfare state research, the term "generosity" is most prominently related to a specific theoretical framework, the social rights of citizenship approach (Marshall, 1950, 1965; Korpi, 1983; Esping-Andersen, 1990). In this context, generosity is closely related to the concept of decommodification which has been most prominently utilized by Esping-Andersen in "Three Worlds of Welfare Capitalism" (1990). While comparative welfare state research has taken stock of generosity of advanced, mature welfare states and used measures of generosity and decommodification for typologizing welfare states, notably in the "old" OECD world (among others Esping-Andersen, 1990; Scruggs and Allan, 2006; Scruggs, 2007), the lack of comparative quantitative data on the one hand and concerns of the transferability of such measures for developing and transitional welfare states[1] on the other hand have made assessments of welfare state generosity in countries outside the Western hemisphere infeasible. Meanwhile, there has been a strong claim for extending the focus of comparative welfare state analysis to developing and transitional welfare states (Esser et al., 2009; Kangas, 2012; Rudra, 2007) and accordingly, the most important data sets in this field integrate more and more developing welfare states.

This paper focusses on welfare state generosity in one relevant group of transitional welfare states, the post-communist countries of Central and Eastern Europe (CEE).[2] Although a considerable amount of scholarship on welfare state development in the post-communist countries does exist up to date (among others Deacon 1992; Ferge 1992; Götting 1998; Kovács 2000; Wagener 2002; Inglot 2008; Baum-Ceisig et al. 2008; Cerami and Vanhuysse 2009; Hacker 2009; Cook 2010), quantitatively oriented comparisons are rare (Kangas 1999; Kuitto 2011, 2016). With the release of the Comparative Welfare Entitlement Dataset 2 (CWED2, Scruggs et al. 2014), comparative time series data on benefit generosity for four social security programs (unemployment and sickness insurance, minimum and standard pensions) is now available for scholarly use for the first time. In this paper, I utilize this data and demonstrate, how welfare benefit generosity in the ten CEE countries has developed in the past two decades and how the emerging CEE welfare states relate to mature OECD welfare states[3] when applying the well-known indicators of welfare state generosity in a macro-comparison.

The following section first elaborates on the concept of welfare state generosity and the concomitant empirical measures. Section three introduces the specific indicators used in this study, and section four presents empirical evidence on the development of welfare benefit generosity in the CEE countries as compared with mature welfare states in OECD countries. In section five, I discuss the comparability of welfare state generosity and thus the applicability of

[1] The term "developing welfare state" refers to such countries in which social security schemes and other social policy measures are being established for the first time. In contrast "transitional welfare states" may have a long history of social security institutions at least in some areas, but are going through a major restructuring of their schemes und institutions. The Central and Eastern European countries after the collapse of the state socialist system represent the latter category.

[2] These are: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

[3] These are: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and Great Britain. Because data is not available for all indicators used in this study, the United States, Canada, Greece and Italy were not included.

the utilized indicators for analyzing the transitional welfare states of CEE and beyond. The final section concludes by discussing the potential and pitfalls of generosity measures for mature and transitional welfare states.

2 Measuring welfare state generosity

2.1 Decommodification and generosity

The origins of the concept and measurement of welfare state generosity can be found, albeit not exclusively, in the influential "social rights of citizenship" approach (Marshall 1950; Titmuss 1974; Esping-Andersen 1990; Korpi and Palme 1998; Palme et al. 2009; Scruggs 2007; Scruggs and Allan 2006, 2008; for a recent overview, see Danforth and Stephens, 2013; Scruggs, 2013; Wenzelburger et al., 2013). The focus of this institutional approach is on welfare provision as it is anchored in national legislation and provided by welfare entitlements in social protection programs at various stages of citizens' lives. The eligibility criteria, benefit generosity and coverage of such schemes unfold decommodifying effects for the individual and determine differing types of welfare regimes. Furthermore, social rights have far-reaching consequences for equality and poverty reduction in industrial democracies (Esping-Andersen 1990, 1999). In the original contribution by Esping-Andersen, decommodification refers to the "degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation" (Esping-Andersen 1990: 37). Empirically, Esping-Andersen measures the degree of decommodification with respect to three dimensions of welfare benefits in the fields of old-age pensions, sickness and unemployment; the rules of access, benefits' income-replacing potential and the range of entitlements provided (Esping-Andersen 1990: 47). A score of decommodification based on the benefit replacement rate, eligibility criteria and coverage of the program is generated for each program first. Then a combined decommodification score is built over the three programs, indicating the decommodifying potential of the main social security benefit programs of a given country.

Replacement rates and decommodification or generosity indices have established themselves as indicators that come closest to measuring the actual intentional output of governments' welfare policies (Scruggs 2007, 2014; Knill et al., 2010). Because of their direct attachment to governmental decisions, these indicators and especially the replacement rates have increasingly been used in comparative studies on welfare states and their classifications as well as the development and causes of welfare policies (to provide some examples, see Esping-Andersen, 1990; Korpi and Palme, 2003; Allan and Scruggs, 2004; Kangas, 2004; Scruggs and Allan, 2006; Starke et al., 2008; Vis, 2009; Jahn et al., 2011). While the original idea of decommodification is conceptually well grounded, the term "decommodification" captures only a certain aspect of the targets of welfare policies. Therefore, I prefer using the term "benefit generosity", because it reflects the aim and scope of welfare benefits more generally (cp. Scruggs 2007, 2014).

In the following, I describe the indicators in detail. Because they are applicable and measurable for all public schemes which possess elements of conditional income replacing benefits, they are also cross-nationally comparable when coded in a strictly coherent way.

2.2 Components of benefit generosity

Replacement rates

Income replacement rate is one of the most popular institutional indicators of the generosity of program benefits (Scruggs 2007: 143). The replacement rate is measured as the portion of income replaced by social security benefits when diverse social risks like unemployment, sickness or disability lead to (temporary or permanent) loss of income. The higher the replacement rate, the more generous is the particular program. For sake of cross-country comparability, replacement rates are calculated for a certain case type, usually a worker with average earnings of employees in manufacturing sector with a certain working history, age and family constellation (cp. Scruggs 2004; Scruggs, Jahn and Kuitto 2014; Korpi and Palme 2007).

While time series data for the OECD countries have been publicly available for some years now (Scruggs 2004; Korpi and Palme 2007), there has only been spotty data on unemployment replacement rates for some of the CEE countries provided by the OECD Tax/Benefit models. The lack of such institutional data has so far been the greatest obstacle for assessing the institutional setting of the emerging welfare states in CEE. With CWED2, data on replacement rates and the following further indicators for ten CEE countries from 1995-2010 is now available.

Eligibility criteria and duration

Neither theoretically nor empirically is it sufficient to define the generosity of social benefits by means of looking at the replacement rates alone. Two countries may have similar levels of income replacement via, say, unemployment insurance, but very different eligibility requirements for the benefit in the first place. With other words, the *period of qualification* – usually the period of employment or contribution – must be accounted for. Furthermore, in some cases, benefits are paid only after an initial *waiting period*. Additionally, while some systems may pay the benefit for a one-year *duration*, the other one may have restricted the benefit payment to only a few months. The eligibility criteria thus are essential in assessing the generosity of social security programs.

Coverage

As a further component for assessing the generosity of social security benefits, the *coverage* of social security schemes must be accounted for. Coverage refers to the percentage of the relevant population covered by the respective social security program and is calculated as the proportion of insured persons relative to the total labour force between 15 and 64 years. It thus reflects the probability that any given person in the relevant population will possess a right to the respective benefit; a system may offer generous benefits under very extensive eligibility, but if only a small portion of the population is covered by the program, the overall decommodifying potential is obviously low (Esping-Andersen 1990: 49). Truly comparative data for the coverage of insured persons across the countries is hard to get, because coverage is in many cases not only restricted to the actual contributors to a specific social insurance scheme, but also extended to family members. Most countries provide data only on either contributors or recipients of social benefits.

Generosity indices

Arguably, none of the single indicators described above by themselves measure the generosity of social security programs adequately. Esping-Andersens decommodification index is the prototype of a generosity index combining the above mentioned dimensions of benefit generosity. In this

index, the sum of standardized values of replacement rates, qualifying period, benefit duration and waiting days are multiplied with the coverage of the program at hand. Later, shortcomings of the original decommodification index have been discussed and an alternative generosity index has been developed by Scruggs (2007, 2014).

3 Measuring welfare state generosity in the CEE countries with CWED2 data

In this paper, I assess the generosity of welfare entitlements in the CEE countries in four key programs of social security: unemployment and sickness insurance, standard old-age pensions as well as minimum pensions. Minimum pension refers to benefits that are targeted at those retirees who have accumulated no or only very low earnings-based pension at their own right. The Finnish national pension (*kansaneläke*) and guarantee pension (*takuueläke*) are examples of such universal minimum pensions. In other countries such as Germany, retirees without pension accumulation are entitled to social assistance benefits. Standard pension includes all mandatory public, earnings-related schemes in which a person accumulates old-age income benefits in his or her own right. Unemployment insurance refers to the usually earnings-related schemes while unemployment assistance and all kinds of active labour market measures are not included. Finally, sickness insurance refers to income replacing schemes in case of sickness.[4]

The data on replacement rates, eligibility criteria and duration of the social protection schemes used in this study stems from CWED2 (Scruggs at al. 2014).[5] Following the conventions established by Lyle Scruggs (2004), the replacement rates were calculated as the ratio of net social insurance benefit in the corresponding social security scheme to the net wage before the loss of income. Formally, the replacement rate thus can be expressed as

$$(\text{Cash Benefits} - \text{Income Taxes} - \text{Social Security Contributions})_{\text{out of work}} \;/\; (\text{Wage Income} - \text{Income Taxes} - \text{Social Security Contributions})_{\text{in work}}$$

Because the level of cash benefits is highly case-sensitive and since we need an indicator which allows comparisons across countries, the so-called type-case-approach is applied. The replacement rates and eligibility criteria are reported for two standardized household types or fictive cases of beneficiaries that are comparable across time and countries. These case types are based on the following assumptions:

1) The first household type is defined as a *single* person without children, earning 100% of the Average Production Worker (APW) Wage[6] level. Whenever benefits or the duration of benefits are dependent on age or contributions, the worker is assumed to be 40 years of age with a full-time working history of 20 years. In case it matters, the worker is assumed to be male.

2) The second household type (*family*) refers to a married couple with two children (aged 7 and 12), where one spouse has earnings equivalent to 100% of the APW wage level. The second spouse is assumed to be inactive without any earnings. In case of benefits supplements or preferential tax treatment for spouses or family members with no income

[4] Long-term disability benefits are often paid by another schemes like disability pensions and thus not included in the sickness benefit measures.

[5] Data is available at www.cwed2.org.

[6] Problems regarding the time-series of Average Production Worker Wage are discussed in detail in the Codebook of CWED2 (Scruggs at al. 2014).

of their own, the second spouse is assumed to be dependent. Again, in case it matters, the working spouse is assumed to be male.

Although the type case approach has its weaknesses – it ignores the effects of different wage distributions and employment histories as well as diverse family settings like lone parenting on the actual level of benefits (see for example Scruggs 2007; Knill *et al.* 2010) – the standardized model case approach nevertheless works well for comparing *average* generosity of key social security programs across countries.

The eligibility criteria – period of qualification, duration of the benefits and waiting day rules – are coded with respect to the two specific household types described above. First, the *period of qualification* required for being eligible to draw benefits (in weeks) is included. This is in most cases defined as a certain minimum period of employment and/or contributions to social security schemes. Second, the *duration of payment* (i.e. the period for which the benefit is paid, in weeks) is accounted for. Third, the *waiting days* a beneficiary must wait before the benefit is paid (in days) are reported. These variables indicate the generosity of benefit eligibility.

In this paper, the *generosity index,* which is compiled for unemployment and sickness insurance as well as minimum pensions, is based on the original logic of the decommodification index by Esping-Andersen (1990). Nevertheless, modifications outlined by Scruggs in his generosity index are taken into account in order to avoid measurement errors and to include both the single and family household types as case-typical beneficiaries (Scruggs 2007: 157; see also Scruggs 2014). As Scruggs points out, the majority of welfare transfer beneficiaries do not consist of single workers, but instead of workers with families (Scruggs 2007: 157–158). The coding of the generosity indices in this analysis therefore replicates the logic of Esping-Andersen's decommodification index, but integrates enhancements suggested by Scruggs in the calculation formula.

In a first step, extreme outliers in the data were eliminated by limiting the range of values to two standard deviations from the mean.[7] Obvious outliers treated this way were for example the Slovakian unemployment qualification period of three years, the Belgian unlimited duration of unemployment benefits, the extraordinarily low sickness replacement rate for a single worker in Great Britain and the basically unlimited duration of sickness benefits in Bulgaria, Ireland and Sweden. Due to the specific coding rule of the Swiss sickness benefit qualification – the model case of a worker qualifies for 12 months of wage continuation on the basis of a 20-years work history, which is why the qualification criteria was coded as 1040 weeks (i.e., 20 years) – and the extraordinarily low coverage of the Swiss public sickpay insurance of 8.4 percent, Switzerland was treated as an outlier as well.

In a second step, all variables except for coverage were z-standardized over the period of observation (here: 1995-2010) and the values cut at +/- 2. This way, a few further slight outliers were smoothed. Furthermore, I added 2 to each value so that it varies between 0 and 4. When necessary, variables were reversed by multiplying them with -1, so that high values of an each given variable indicate high generosity. In a third step, the standard deviation logic developed by Esping-Andersen was applied in order to assign each variable except for coverage a score between 1 and 3; 1 for all values more than one standard deviation below the mean, 2 for values

[7] Esping-Andersen eliminated outliers as well, but does not report in which way (Esping-Andersen 1990: 54).

within one standard deviation of the mean, and 3 for values more than one standard deviation above the mean.[8]

In a last step, the program-specific generosity indices were then generated by adding the scores for replacement rates for single and family[9], duration, qualification period and waiting days and weighting the total by the coverage rate.[10] The generosity index for minimum pensions thus ranges between 2 and 6, and the generosity indices for unemployment and sickness benefits range between 0 and 15. I abstain from building an overall index of generosity because, the correlation between the generosity indices across the three programs is low, suggesting that generosity is a program-specific feature across different welfare systems and should be analysed as such (see also Scruggs and Allan 2006: 69).

4 Taking stock of the benefit generosity in the CEE and OECD countries[11]

In the following, an examination of welfare state generosity of four social security programs is provided. I first present the development of key indicators for minimum and standard pensions, unemployment and sickness insurance from 1995-2010. The period of analysis is limited to years after 1995 because of data availability on the one hand, but also and primarily because, after mid-1995, the politics and policies in the post-communist countries were increasingly consolidated and did not follow primarily the logic and constraints of the immediate transition to market economies and democracy. Remarkable differences, but also some common trends can be observed across the development CEE countries since 1995. I then compare the program-specific levels of generosity as they have emerged by the eve of the financial crisis by referring to three-year means of 2005-2007. Data for 17 OECD countries is reported as well to enable an assessment of how the CEE welfare states relate to mature welfare states.

4.1 Minimum pensions

Basic social security for the elderly in the form of minimum pensions has become less generous in all countries since mid-1990s in terms of income replacement compared with average production worker wages (Figure 1). Only in Bulgaria and Slovakia, the level of minimum pensions in 2010 exceeds the level of 1995. Interestingly, this general trend is not visible when looking at the

[8] This procedure has its weaknesses, though. First, the scoring does not unfold a full distinctive power with regard to the empirical values of a given variable. A given country scoring -0.9 standard deviations from the mean receives the same score (2) as a country scoring +0.9 standard deviations from the mean. In other words, the score 2 represents a large variety of values. Second, this scoring procedure is less sensitive for tracking changes (Scruggs 2007: 157). The latter is less relevant, when levels are compared to a certain time point. Despite these weaknesses, I decided to follow the original scoring rules in order to allow for greatest possible conformity with the original concept by Esping-Andersen.

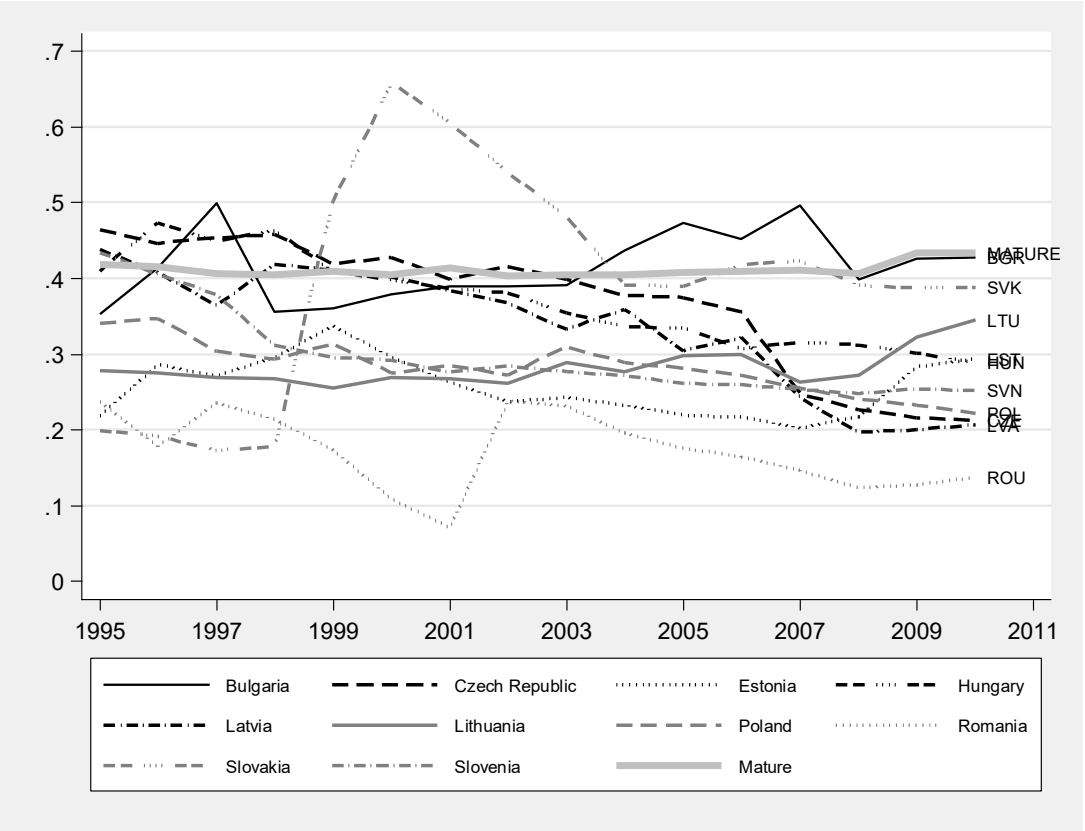
[9] As with Scruggs' generosity index, the replacement rate for the single and the family case are not weighted twice in order to make the relative weight of replacement rates similar to those in the original decommodification score (Scruggs 2007: 158).

[10] Because minimum pensions are basically available for everyone in need and in reach of the official retirement age, eligibility criteria or coverage rate measures are neither necessary nor possible to compute, and so the generosity index for minimum pensions is simply the sum of single and family replacement rate scores. However, the actual generosity of minimum pension schemes is also dependent on whether the benefits are means-tested and to what extent.

[11] This section is an updated and extended version of a similar analysis in Kuitto 2016, chapter 5.

average of the mature welfare states, which has remained quite stable. Slovakia has undergone the most notable changes in the level of minimum pensions. The 1998 reform of its means-tested social assistance scheme, which also guarantees a minimum income for elderly persons not entitled to other kinds of pensions, first led to a strong increase of replacement levels. The reform of 2003, in turn, brought about drastic decreases in replacement rates, especially for families, so that the average replacement rate at the end of the observation period is slightly below the level of mid-1990s (ISSA; Kosta and Bednárik 2008; Meyer and Wientzek 2008). In Romania, the increase of state minimum pensions in 2000, a reaction to high inflation, manifests itself in rising replacement levels in 2001-2002 (ISSA). At the end of the observation period, the level of income replacement through minimum pensions in the CEE countries is clearly below the OECD average, although the replacement levels have become somewhat higher in the aftermath of the financial crisis of 2008 in many of the countries.

Fig. 1 Development of minimum pension average replacement rates 1995-2010

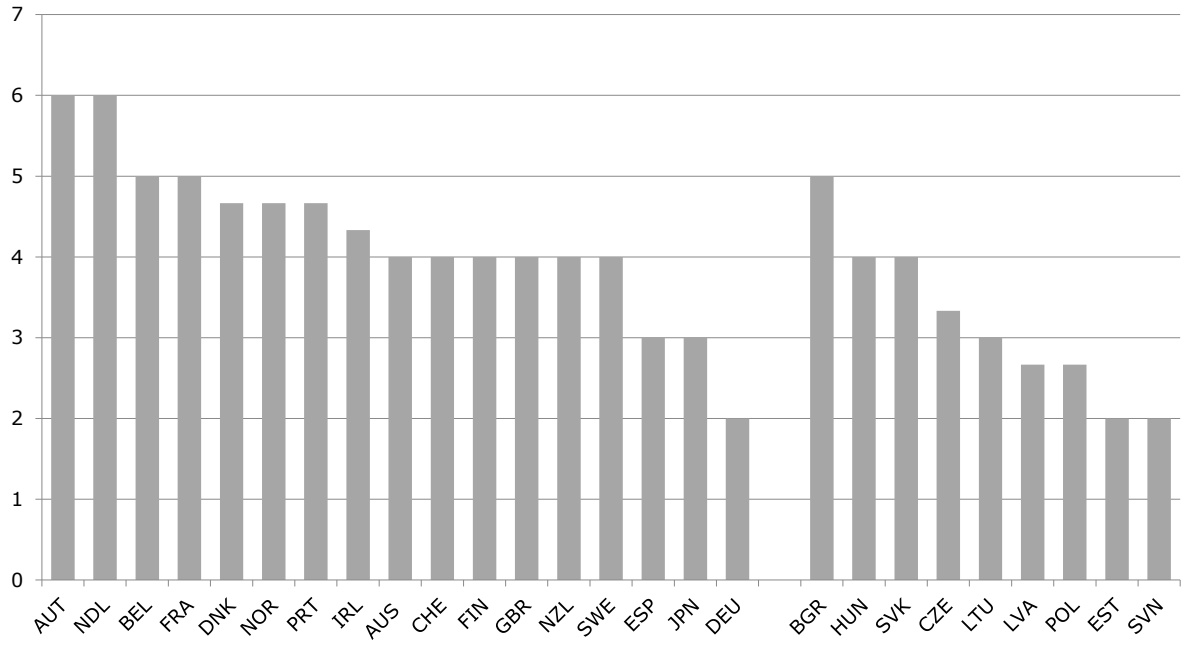


Data source: CWED2, own calculations

The lower generosity of the CEE minimum pension schemes is also apparent when looking at the average minimum pension generosity scores in Figure 2. Estonia and Slovenia represent the laggards, followed by Poland. The remaining CEE countries rank in the lower middle in comparison with the mature welfare states. This is in line with previous findings stating that although social assistance or minimum income protection in general is at a relatively low level in purchasing power terms in CEE, in relative terms, the gap between social assistance benefits and equivalized median income is less pronounced than in some Western European countries (van Mechelen and de Maesschalck 2009: 188; see also Nelson 2010). With regard to the established welfare states, it

is interesting to note that no single welfare regime in the sense of Esping-Andersen shows consistent levels of minimum income security in old age; the highest generosity scores can be found in Austria and the Netherlands. Of the Scandinavian welfare states, Sweden and Finland, in turn, rank considerably lower and at the same level as the liberal welfare states UK and New Zealand. Germany even scores at the same low level as Estonia and Slovenia.[12] We should keep in mind, though, that the minimum pension replacement rates used in this study are calculated without considering further benefits, most notably housing assistance, which might influence the actual level of basic income security in many systems to a considerable degree.[13]

Fig. 2 Minimum pension generosity score, 2005-2007



Data source: CWED2, own calculations

4.2 Standard pensions[14]

While the average generosity of public pensions has remained quite stable in the mature welfare states, there is great variance and also volatility in the public pension replacement rate in the CEE countries (Figure 3). Bulgaria, Hungary, Romania, Poland and the Czech Republic feature the highest replacement rates, while Estonia, Slovenia and, in later years, Latvia, too, guarantee considerably lower income replacement for elderly than the mature welfare states' or even the CEE states' average. The effects of pension reforms are particularly visible in Latvia, which was one of the first countries to introduce a multi-pillar system in late 1990s (Volskis 2012). In many other CEE countries, too, the introduction of private pensions schemes as integral part of old-age security, combined with the insecure labour market participation and concomitantly insufficient

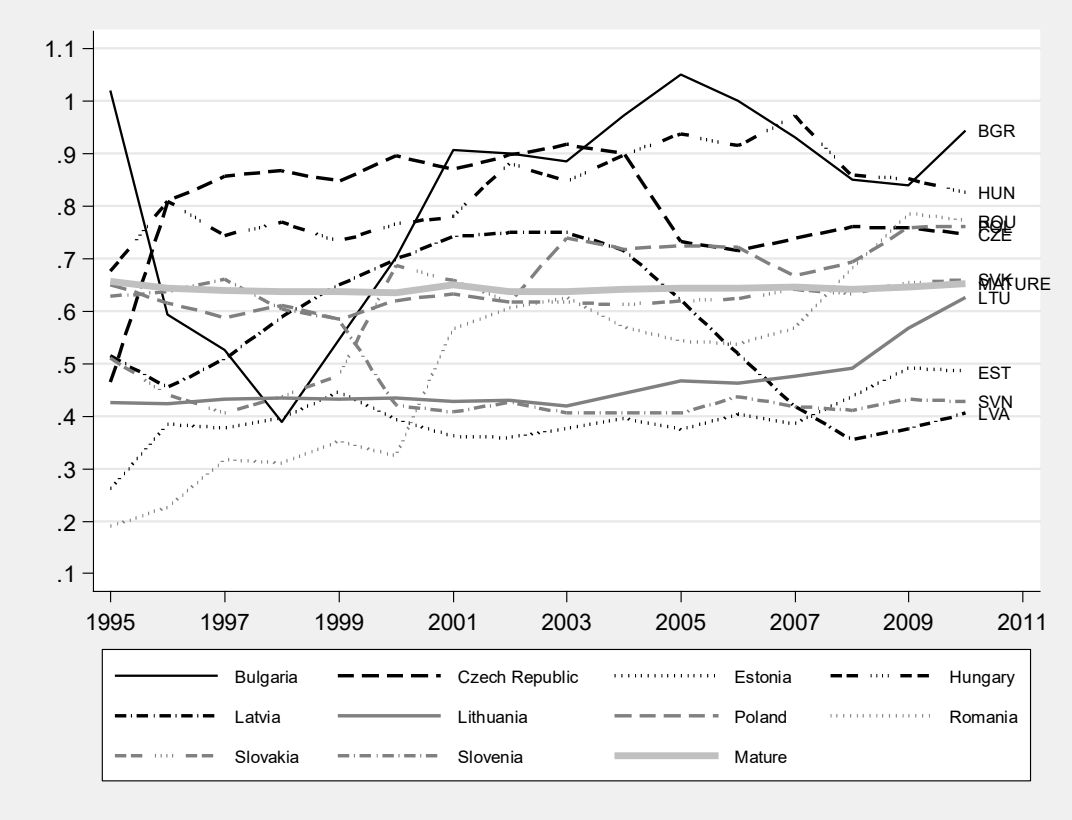
[12] While a minimum pension does not exist in Germany, the figures refer to the minimum social assistance applying for anyone without eligibility to standard contributions-based pensions.

[13] This explains most notably the low score of Germany, where housing assistance increases the level of benefits considerably for all recipients of the minimum assistance benefit.

[14] Because data on some key features of the standard old-age pensions, primarily coverage, is still lacking for the CEE countries, I focus on pension replacement rates, qualification period and retirement age in this analysis.

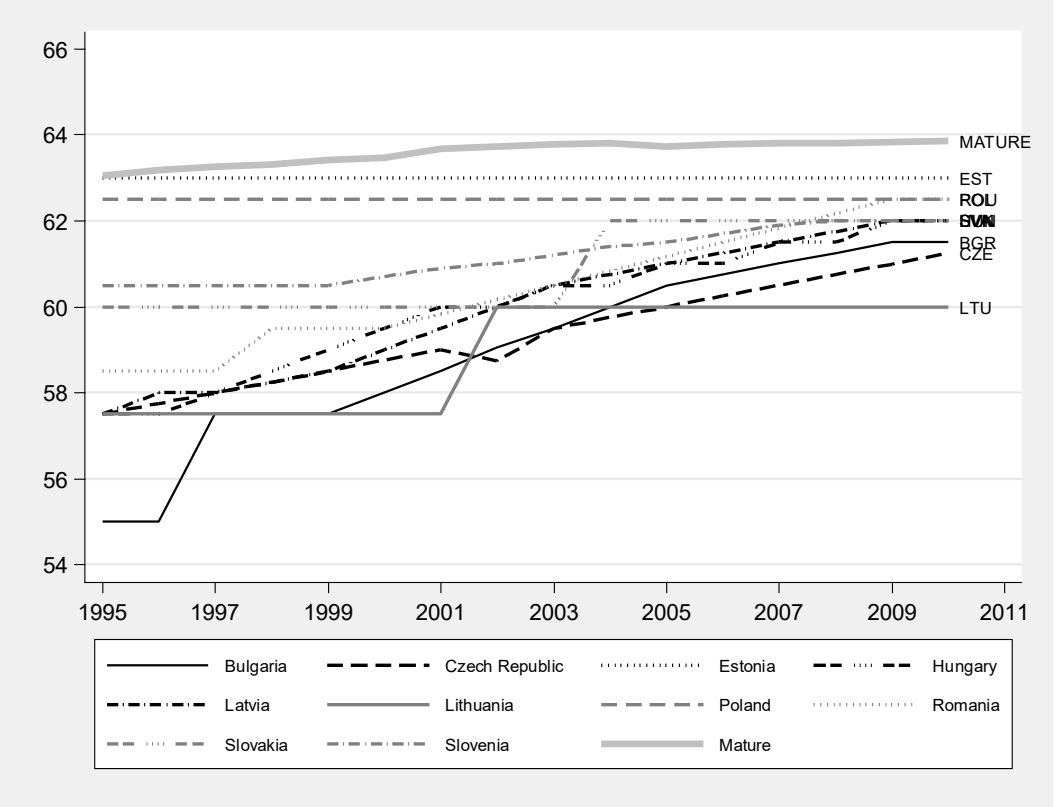
financial capacities will probably have major impacts in actual levels of pensions in the coming years. On average, the qualification period for full pension entitlement is longer in the CEE countries than many of the mature welfare states except for Hungary and Slovakia. Also, following the example of the majority of the OECD countries, the official retirement age which has been considerably lower in the CEE countries in the past has been increased decisively in the past two decades (Figure 4). Only in Estonia and Poland, no reforms with regard to retirement age have taken place from 1995-2010.

Fig. 3 Development of standard pension average replacement rates 1995-2010



Data source: CWED2, own calculations

Fig. 4 Development of retirement age (average of male and female) 1995-2010



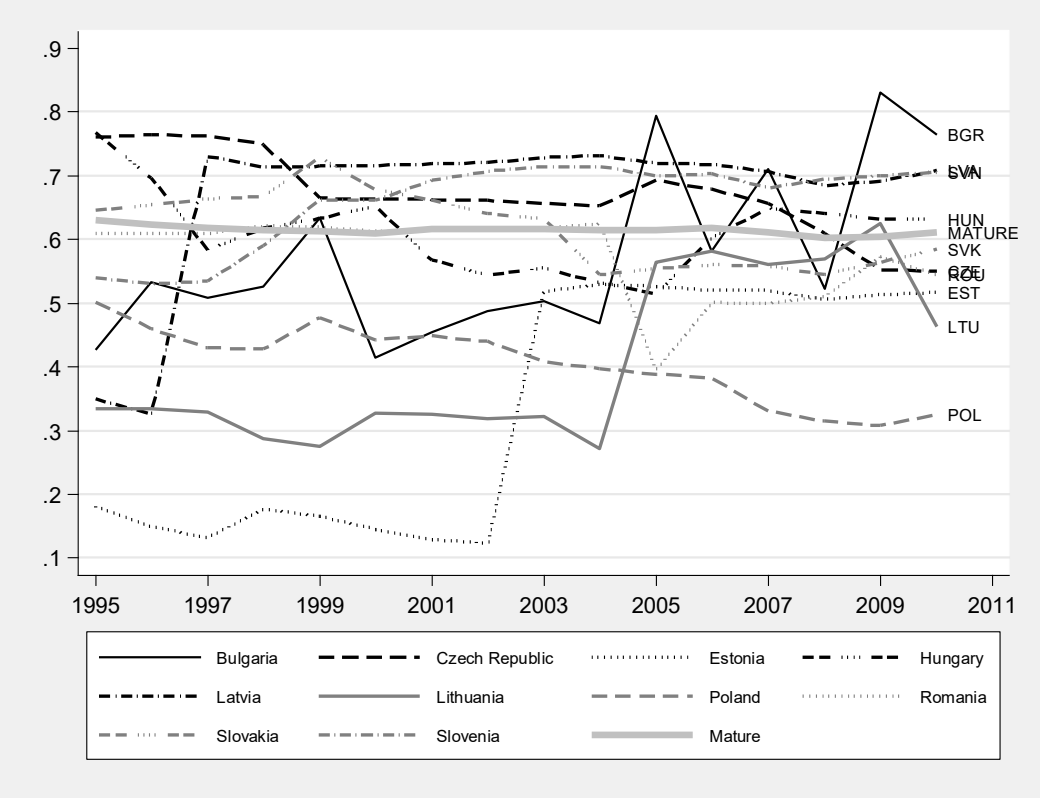
Data source: CWED2, own calculations

4.3 Unemployment insurance

In contrast to minimum and standard pensions, a slightly increasing trend is observable with regard to unemployment benefit replacement rates in most of the CEE countries, with the exception of Poland and Slovakia (Figure 5). Poland clearly deviates from the other CEE countries with its low level of income replacement in case of unemployment at the end of the observation period. In Latvia, Slovenia, Hungary and Bulgaria, the generosity of unemployment benefits even exceeds the average of more mature welfare states in the most recent years. In Estonia, the introduction of the system of unemployment insurance in 2001 led to a marked increase of replacement levels. Previously, a flat rate unemployment allowance guaranteed only very low benefits in case of unemployment (Lauringson 2011).[15] Likewise, the reform of the Lithuanian unemployment insurance system coming into force in January 2005 first led to rising levels of income replacement. In addition to the previous component of a state-financed fixed amount, there is now a supplemental wage-related component financed by insurance contributions (ISSA). However, resulting from the financial crisis, maximum levels of unemployment benefits were cut drastically and eligibility criteria tightened in 2009. Altogether, the variance between the CEE countries with respect to levels of unemployment benefit has decreased over time.

[15] The collection of insurance contributions started in 2002 and the first benefit payments were made after the required contribution period of 12 months in 2003 (personal correspondence with Anne Lauringson, October 3, 2011). Due to our coding rules, which define the benefit according to the law in force in a given year without considering possible effects of qualification rules, the increase of replacement rates in Estonia is visible already in 2002 in our data, though.

Fig. 5 Development of unemployment average replacement rates 1995-2010



Data source: CWED2, own calculations

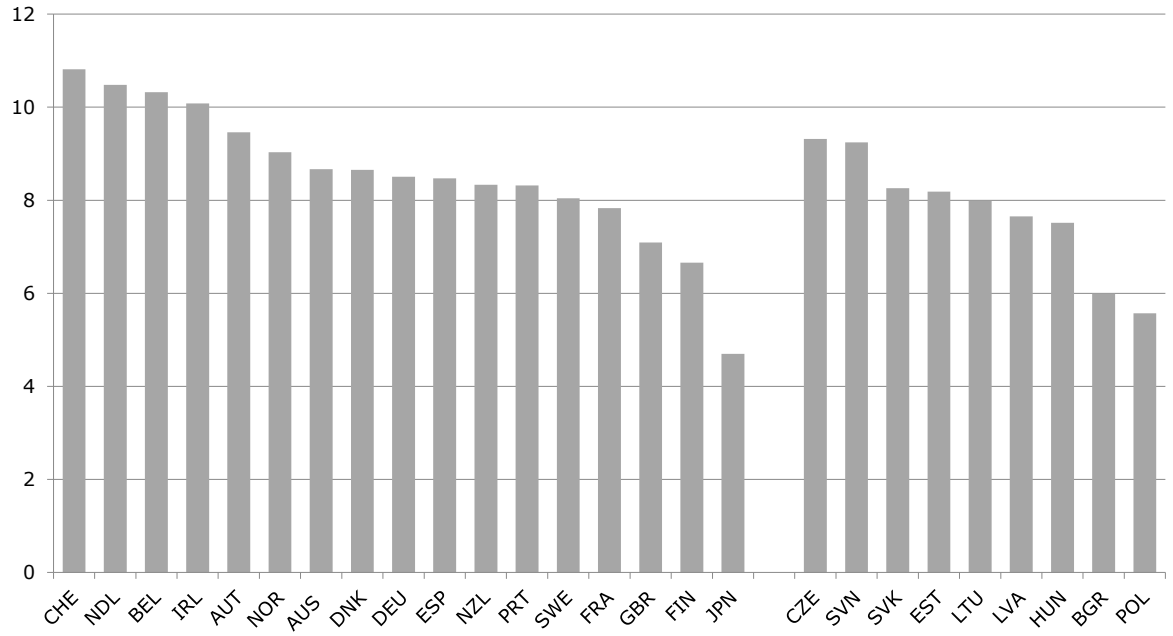
In contrast to the slightly increasing trend in benefit levels, eligibility criteria have been tightened in almost all countries during the period under observation. This is a general trend in most other welfare states, too (cp. Jahn *et al.* 2011). The by far strictest eligibility criteria for unemployment benefits in Slovakia became even more restrictive due to a new law in 2004. The qualification period was then prolonged to three years and the duration of benefits limited to six months, without regard for previous work and contribution history (Kosta and Bednárik 2008). Lithuania, in turn, relaxed the criteria of access to unemployment benefits; the qualification period was decreased to 18 months of contributions with the introduction of a new unemployment insurance system in 2005, and the duration of benefits is now dependent upon the length of the insurance record. Nevertheless, only those unemployed with more than 25 years of contribution history are eligible for more than six months of unemployment benefits (Aidukaite 2008; Taljunaite 2008). After 2009, stricter conditions for gaining benefits apply.

The coverage rate of unemployment insurance in most of the CEE countries is relatively high compared to mature welfare states. This reflects the universalist legacy of those unemployment schemes which were in place already in the state socialist era (Kuitto 2016). Comparatively higher labour market participation of women in many of the CEE countries may also lead to higher coverage rates where coverage is linked to employee status (Pascall and Kwak 2009: 130).

High variance across both the CEE countries and the mature welfare states can be observed when looking at the generosity scores in Figure 6 that are composed of the replacement rates, the eligibility criteria and the coverage rate for unemployment benefits. Measured by this index,

many of the CEE countries perform well in comparison with the more mature welfare states. The generosity of unemployment benefits in the Czech Republic and Slovenia, which show the highest levels within the CEE group, is close to that of Austria. The CEE laggards Bulgaria and Poland, in turn, outperform the least generous unemployment benefit scheme within the mature welfare states, that of Japan. Interestingly, generosity does not follow the lines of the established welfare regimes, but instead, countries nominally in the same regime scatter across the spectrum of generosity.

Fig. 6 Unemployment benefit generosity score, 2005-2007

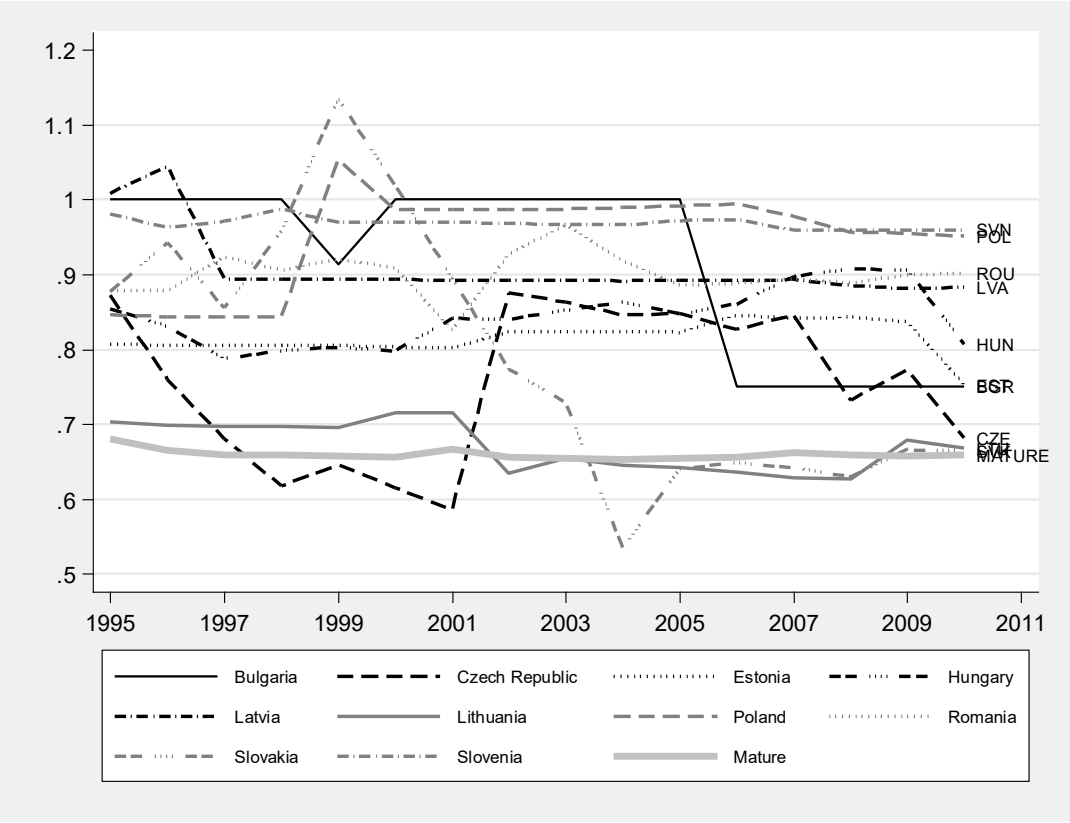


Data source: CWED2, own calculations

4.4 Sickness insurance

Even less than with regard to unemployment benefits has there been a clear trend in sickness cash benefits as is apparent from Figure 7. In general, cash benefits in case of sickness guarantee a higher level of income replacement in the CEE countries than the average of mature welfare states. Slovenia, Poland, Romania and Latvia show the highest sickness replacement rates in the group of the CEE countries in 2010. However, the level of sickness cash benefits has decreased in many countries in the latest years. Slovakia has undergone the most notable reduction in replacement levels due to new legislation on sickness and maternity benefits in 2003, as the nominal rate of sickness benefits was reduced from 70 to 55 percent and limited at a certain assessment base. At the same time, an initial period of employer-paid wage continuation at a lower level for the first ten days was introduced (ISSA). As a consequence, the Slovakian sickness replacement rate is the lowest in the CEE countries.

Fig. 7 Development of sickness average replacement rates 1995-2010

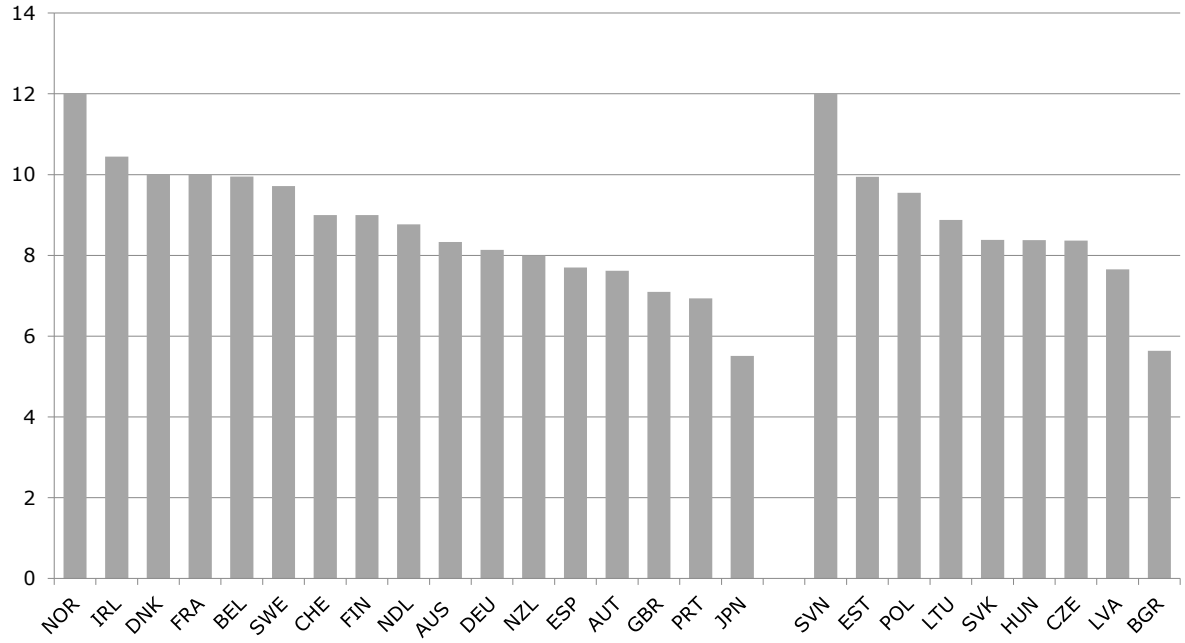


Data source: CWED2, own calculations

Eligibility criteria for receiving sickness benefits also tend to be more generous in the CEE countries than in many mature welfare states. In many cases, no contribution or employment requirement has to be fulfilled in order to qualify for sickness cash benefits, and in half of the cases, the maximum duration of the benefit for our model household cases is one year or more. There have also been remarkably few reforms of the eligibility criteria for sickness cash benefits in the period of observation.

As with unemployment insurance, the coverage rate of sickness insurance is rather high in many of the CEE countries in comparison to the mature welfare states' average. Consequently, the generosity of sickness insurance programs in the CEE countries is high compared to mature welfare states, as is apparent when looking at the overall generosity scores in Figure 8. The leaders of the post-communist countries Slovenia, Estonia and Poland follow closely Norwegian and Irish levels of generosity. Even the less generous Czech and Latvian sickness insurance schemes exceed or come close to the levels of some conservative, Southern European or liberal welfare states. Bulgaria and Japan are laggards.

Fig. 8 Sickness benefit generosity score, 2005-2007



Data source: CWED2, own calculations

Summing up the development and current state of the generosity of social security programs in the CEE countries, we can first see that a general trend of retrenchment has only taken place with respect to the level of minimum pensions, with only few exceptions. Unemployment and sickness insurance schemes have not been subjects to general cutbacks in the period from 1995 to 2010. The generosity of the standard pension schemes has been and will prospectively be affected primarily by the strengthening of the eligibility criteria and increasing dependency on private pension savings. Second, a great variance among the post-communist countries does occur, pointing to a diversity of welfare policy arrangements within the group of CEE countries. Third, although the CEE countries rank below the generosity of mature welfare states' average with regard to minimum pensions, the variation as well as the level of the generosity of sickness and unemployment insurance and old-age pensions is comparable to the average of the mature welfare states. In the light of the CWED data, CEE welfare states thus are not less generous than their mature counterparts.

Notable for more general cross-country comparisons in particular is that the generosity of the income replacement schemes analyzed here is clearly not correlated across the schemes. Rather than indicating overall generosity of the welfare state, measures presented in this study should thus be considered more or less independent and analyzed as such (see also Scruggs 2007).

5 Measuring the same or comparing apples and oranges?

The descriptive analysis above thus shows that the transitional CEE welfare states' benefit generosity does not lag behind the mature OECD welfare states' levels. However, the question remains, whether generosity as measured with the kind of indicators used in this analysis really is

the same as in mature welfare states. The comparability of generosity measures in mature and transitional (or developing) welfare states can be assessed, first, by conceptual terms, second, in terms of data reliability and third, in terms of specific features of welfare policies and the social risks which they are targeted at in different welfare states.

In *conceptual* terms, as described in section two, the indicators of benefit generosity and eligibility criteria are designed to measure the institutionalization of social rights in the fields of social security as laid down in national legislation. They thus seek to measure public social protection. As such, publicly provided social protection is at the heart of any welfare state, regardless of their overall extent, and the targets of welfare entitlements are the same (Esser et al. 2009). Thus, from the conceptual point of view, there are no restrictions of applying the indicators based on the institutionalist approach of social rights to any welfare states for measuring their generosity. However, the extent to which mandatory public schemes are important in the overall provision of social protection varies greatly across countries. The role of private and occupational solutions is particularly and increasingly important in the domain of old-age pensions, and such solutions have been implemented especially in the transitional setting of Latin American and CEE welfare states since 1990 (Orenstein 2008; Meseguer 2009). Developing measures for capturing the effects of mandatory and voluntary second and third pillar solutions for old-age benefit generosity is therefore of growing importance especially if we want to compare developing and transitional welfare states with the older ones. Also, for *explaining* the emergence and levels of social rights, the socio-political and economic context may be highly salient. With other words, stretching the concept for measuring welfare state generosity is less problematic, whereas stretching the explanatory approaches for welfare policies developed in the context of mature welfare states presumably is.

From the *empirical* perspective, some restrictions and concerns exist, though. First, using quantitative indicators for cross-country comparisons requires strictly comparable data. Even though international data sources like the EU's Mutual Information System on Social Protection (MISSOC), the OECD Benefits and Wages-series, the International Social Security Association (ISSA) and the Social Security Programs Throughout the World (SSPTW) provide standardized information on social security programs in the CEE and beyond which is well suited for generating the quantitative indicators, the data is available only gradually for years from mid-1990s. Furthermore, we also need comprehensive information on the income tax systems and parameters for generating the replacement rates. Such information must be extracted mainly from national sources, which, in turn, are often provided in the national language only for earlier years. The same applies for data on coverage; not only were we confronted with difficulties of language when collecting the CWED2 data, but in many cases, even national sources (i.e., insurance institutions and ministries) were not able to provide data on social security scheme coverage for earlier years. The baseline data for calculating the net replacement rate, the Average Production Worker Wage, is likewise difficult to collect for longer, coherent time series. These kinds of restrictions for collecting comparative quantitative data get even more difficult, when we move beyond Europe and the “old” OECD world.

Second, as some scholars have observed, the actual take-up rates of the benefits in the CEE countries seem to be lower than in many mature welfare states especially in case of unemployment benefits and social assistance (Palme et al. 2009; van Mechelen and de Maesschalck 2009). Consequently, even the most generous benefits may not unfold their

decommodifying potential, when only part of the entitled actually enjoys benefits. According to Palme et al., in the Czech Republic and Hungary, only around one-third of the registered unemployed actually receive unemployment benefits, in Slovenia around one-fourth, and in Poland and Slovakia less than one-fifth (Palme *et al.* 2009: 50). Cazes and Nesporova report share of recipiency among registered unemployed for 2002-2003. According to them, in Estonia the half, in Latvia nearly the half, but in Lithuania only one-tenth receive unemployment benefits (Cazes and Nešporová 2007; see also Aidukaite 2006: 264). Although there is great variance in take-up rates of at least unemployment benefits in the Western European and OECD countries, too, the recipiency rates of the CEE countries are well below the OECD average in 2007-2008 (OECD, 2011: 61). One possible explanation is that strict eligibility criteria and prospectively low benefits, like in case of the Lithuanian unemployment benefits, do not offer incentives for applying for the benefits in the first place. Also, since working in the informal economy is more common in many of the CEE countries, potential beneficiaries might avoid applying for benefits. This is also true for the comparatively large segment of the economically inactive population as well as for many individuals in irregular and short-term employment who may not fulfil the qualification criteria. In case of social assistance, the relatively strict means-tests in many of the countries may stigmatize potential beneficiaries and lead to people avoiding application, as well (cp. the summary of the arguments in van Mechelen and de Maesschalck 2009: 188). Finally, administrative inefficiency may hinder potential recipients from claiming their benefits (cp. Hernanz et al., 2004).

Palme *et al.* (2009: 51) have also suggested that the absence of statistical correlations between governmental expenditure for certain social security programs and the level of income replacement as well as the comparatively lower levels of per capita benefits in CEE point to the fact that *de jure* generosity in CEE countries does not reflect the *de facto* generosity of the welfare entitlements. Yet, institutional features as laid down by the law and measured by the generosity indicators chosen in this study do not correlate with the accordant expenditure in mature welfare states, either. Only the generosity of sickness benefits is moderately-to-highly correlated with social expenditure for sickness cash benefits in European countries (Kuitto 2016). The lack of a statistical relationship might be explained not only by the discrepancy between benefit generosity and take-up rates, but also by varying administrative costs of social insurance schemes and the division of responsibilities between governmental and private bodies at least according to the accounting rules across the countries.

Despite the fact of empirically observable discrepancies between generosity measures and actual take-up rates of benefits, this does not challenge the comparability of the measures as such. As discussed above, the institutional generosity measures presented in this paper were developed to indicate the generosity of social protection as defined by the law, thus the *de jure* status. To what extent such benefits actually are claimed by potential recipients (and how this impacts the overall effectiveness of welfare benefits), is another question. However, the reasons why benefit recipiency rates may vary across countries with similar *de jure* generosity are of interest for the question of comparative measurement of welfare state generosity as well and require further research.

A further shortcoming partly leading to the mismatch of *de jure* and *de facto* generosity, but also to the concept validity of the indicators in more general, can be found in labour market participation rates, the occurrence of atypical employment and the construction of the generosity

indicators as they are presented in this study. The replacement rates and eligibility criteria are coded to indicate the benefits of a specific case and household type which was originally taken to be representative for an average beneficiary. However, the assumptions made for this "average beneficiary" are decreasingly representative. This applies for all post-industrial welfare states in general, but in some regards for the CEE countries in particular. Table 1 summarizes key employment characteristics which potentially affect social security coverage and recipiency in the CEE and the OECD welfare states included in this analysis in 2010. First, the overall labour market participation rate is on average 6.9 percentage points lower in the CEE countries than in the mature OECD welfare states, and self-employment is higher (see also Cazes and Nešporová, 2007: 11). Also, the proportion of marginally attached workers who face persistent and serious difficulties to find a job despite trying is higher in many CEE countries than in the OECD countries included here. On average, the share of temporary employment is lower in the CEE than in the OECD average, though, Poland being an outlier. At the individual level, long-term full-time employment with the same employer as assumed by the "average beneficiary" definition is rather an exception due to the transition period and the massive structural changes. Because earnings-related pension and unemployment benefit schemes, in particular, are highly dependent on individual contribution accounts (in contrast to a universal eligibility) especially in the CEE countries, atypical, short-term and part-time employment make it hard to fulfil the qualification criteria for achieving the benefits. Short and/or less continuous working histories and increasing share of temporary employment and non-standard work are driving factors of declining coverage, too (OECD 2011: 282). Additionally, the assumption of male breadwinner family is decreasingly representative in both the mature welfare states and the CEE countries, although great variance in labour market participation rates of men and women occurs. Differences in men's and women's labour market participation are small in the Nordic and the Baltic countries, but great in Japan, Ireland, the Czech Republic, Romania and Spain, for example.

Taken together, the shortcomings of generosity measures based on the Average Production Worker household types as they are currently provided by the both main welfare benefit data sets (SPIN, CWED2) with regard to the reality of post-industrial labour markets and thus potential beneficiaries call for more suitable and fine-graded indicators not only for the CEE countries, but for all welfare states in more general (cp. Danforth and Stephens 2013; Scruggs 2013). Additionally, measures of the generosity of mandatory public schemes should perspectively be supplemented by measures of (mandatory) private and occupational schemes.

Tab. 1 Selected employment parameters, 2010

	Labour market participation rate 15-64, %	Labour market participation rate, Δ men/women p.p.	Share of temporary employment, % of total dependent employment	Self-employment, % of civilian employment	Marginally attached workers, % of labour force
Mature OECD					
Australia	76.4	12.9	5.7	11.5	5.8
Austria	74.4	11.1	9.4	13.9	3.3
Belgium	67.7	11.6	8.1	14.4	1.4
Denmark	79.4	6.6	8.4	9.1	2.0
Finland	74.6	4.3	15.6	13.5	3.5
France	70.3	9.1	15.1	9.4	1.7
Germany	76.6	11.6	14.5	11.6	1.3
Ireland	69.8	15.1	9.6	17.1	2.1
Japan	74.0	21.6	13.8	12.2	..
Netherlands	78.2	11.1	18.5	15.0	3.1
New Zealand	77.4	12.0	..	16.2	3.5
Norway	78.2	5.2	8.3	7.7	2.5
Portugal	73.7	8.1	22.8	23.2	1.4
Spain	74.6	14.7	24.7	16.8	4.5
Sweden	79.0	5.6	16.4	11.0	2.5
Switzerland	82.4	11.9	13.1	10.5	2.8
United Kingdom	76.3	12.3	6.1	13.9	2.6
Mean	***75.5***	***10.9***	***13.1***	***13.4***	***2.8***
STD	***3.7***	***4.3***	***5.7***	***3.7***	***1.2***
CEE					
Bulgaria	66.7	8.9	4.5	..	8.7
Czech Republic	70.2	17.1	8.9	17.8	0.9
Estonia	73.8	5.7	3.7	8.5	5.1
Hungary	61.9	11.5	9.8	12.4	4.8
Latvia	73.0	4.4	7.1	11.5	7.4
Lithuania	70.2	3.3	2.4	..	2.3
Poland	65.3	13.6	27.3	23.0	3.6
Romania	64.9	17.5	1.0	..	4.6
Slovak Republic	68.7	14.7	5.8	16.0	1.6
Slovenia	71.5	8.0	17.3	17.3	1.8
Mean	***68.6***	***10.5***	***8.8***	***15.2***	***4.1***
STD	***3.8***	***5.2***	***8.0***	***4.8***	***2.6***

Data source: OECD.Stat

6 Conclusion

While comparative time series data for Western welfare states has been available for some time now, developing welfare states beyond the “old” OECD countries have just stepped into the focus of data endeavors providing benefit generosity data. This paper has demonstrated the applicability of CWED2 data for measuring the generosity of income-replacing welfare policies in the post-communist countries of CEE. Comparing the development and generosity of unemployment and sickness insurance as well as minimum and standard pensions with mature welfare states reveals that, after the initial phase of transition, the welfare entitlements have developed in close correspondence with the ”old” welfare states. On the eve of the financial crisis of 2008, as the emerging transitional welfare states had reached a certain state of maturation, the overall generosity of income-replacing schemes is not considerably lower in the CEE countries than in the OECD countries. In addition, like within the group of mature welfare states, there is great variance in generosity within the CEE countries. Altogether, the post-communist countries vary in their welfare benefit generosity, but also in their welfare architecture in more general (see also Kuitto 2016).

The generosity indicators provided by CWED2 and used in this study are likewise suited for measuring generosity of mature and developing or transitional welfare states. They capture the institutional aspect of public provision of social rights as it is manifested in national legislation and are well-suited for analyzing the scope and level of welfare entitlement generosity across all countries in which such schemes are a relevant part of welfare policies. However, these generosity measures indicate neither how large part of the potential recipients or the population in more general actually make use of the benefits, nor, in more general, what are the outcomes of these institutions. Depending on the research question, other parameters like degree of take-up, conditionalities for getting benefits, public vs. private welfare provision and so on must be accounted for, when comparing welfare policies and their impacts.

When moving beyond the mature welfare states, data limitations get the more severe the less developed and internationally linked the countries of interest are. For the CEE states, comparable high quality data is available roughly from 1995 on. Currently, the biggest limitations for the analysis of welfare state generosity in the tradition of the institutionalist social rights of citizenship approach, however, is lack of indicators for differing employment histories, household types and income situations which have become highly salient for real benefit entitlement in the post-industrial era. This applies for both mature and transitional welfare states. In case of the post-communist countries, the attributes of the “average beneficiary”, on which the indicators used here are based on, may be even less representative than for Western European welfare states due to the upheavals of the transition period.

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